Pennsylvania Economic Development Financing Authority

December 20, 2023

A meeting of the Pennsylvania Economic Development Financing Authority (PEDFA) was held on Wednesday, December 20, 2023, after proper notice was given pursuant to the terms of the Act of July 3, 1986 (the "Sunshine Act"). The meeting was held via Teams Videoconferencing.

The following Board Members were present via Teams Videoconference: Mandy Book, for the Honorable Frederick C. Siger; The Honorable Ryan Mackenzie; Gwenn Dando, for the Honorable Wayne Langerholc; Paul Wentzel, for the Honorable Wendy Spicher; Cheryl Cook, for the Honorable Russell Redding; Scott Weiant, for the Honorable Nancy Walker; Laura Kurtz; Steven Bradley; Michael Brubaker; Nick Haden; Fred Rinaldi; and Ronald Brown.

The following DCED staff members were present via Teams Videoconference: Craig Petrasic, Executive Director of PEDFA; Carol Longwell, Esq., Office of Chief Counsel; Brian Deamer, Center for Private Financing; and Melanie Taylor, Center for Private Financing.

Ms. Book called the meeting to order at 11:00 a.m.

It was moved by Ms. Kurtz and seconded by Mr. Haden that the Board approve the Minutes of November 15, 2023. Motion carried.

CAPITOL REGION PARKING SYSTEM REFUNDING PROJECT SUMMARY

Mr. Deamer stated, "PEDFA leased the parking system from the City of Harrisburg and the Harrisburg Parking Authority in 2013 and issued the 2013 Bonds to finance the cost of the lease. The parking system and its finances have experienced significant challenges, most recently exacerbated by the COVID and post-COVID changes in worker attendance in the office. In addition, certain components of the parking system need rehabilitation and enhancement.

Recently, opportunities to reduce interest costs have been evaluated by RBC Capital Markets, Inc. and PEDFA financial advisor, PFM. A refunding structure has been identified that will provide significant interest savings. At current rates, the present value of those savings is estimated to be $10 million to $12 million. Currently, the credit of AGM, the bond insurer, and Dauphin County are backing the 2013 Bonds; however, funds were drawn down from the Debt Service Reserve Fund and both AGM and the County have made advances to cover debt service. PEDFA is obligated to repay from the project funds the Debt Service Reserve Fund advances made by AGM and the County. The savings generated by this refunding will free up funds that may be used to repay these advances and, to the extent available, fund the other indenture requirements (including certain subordinated expenses and capital improvements to the parking system).

The proposed 2024 refunding bonds would be issued early next year and the proceeds will be held in an escrow account for approximately three months after closing to be applied to the redemption of the 2013 current interest bonds included in each Series A, B and C. The capital appreciation bonds will remain outstanding and will not be refunded. AGM will continue to insure, and the County will continue to guarantee the outstanding 2013 Bonds and the 2024 Bonds.

As the resolution indicates, there are several documents involved in the refunding, including the Official Statement, bond purchase agreement, a supplemental indenture, modified mortgage, and escrow agreement and a collection of other closing documents.

The bond amount is not to exceed $220 million dollars. The project will refund all or a portion of the Callable Bonds and paying the cost of issuance of the 2024 Bonds.

The rate will not exceed 6.5% and maturity will be July 1, 2053.

If approved the Board, we recommend PEDFA 2024 Parking Revenue Refunding Bonds, in a principal amount not to exceed $220 million dollars.

We have members of the financing team on the phone to answer any questions that you may have: Jay Wenger, with RBC; Marc Feller, Robert Ernst, Mariana Diosa-Cosme from Dilworth Paxson; John Gass, Trimont; and John Frey from PFM."

Mr. Feller stated, "I think Brian gave us a good summary of the transaction and we have prepared a resolution for consideration by the Board, which incorporates those concepts into it.

You all have the resolution and it starts out with recitals, which go through the history of the transaction. It describes the 2013 Bonds and the 2013 project, which was to acquire a long-term lease. It was a 40-year lease of the parking system to fund the reserves and to cover the cost of issuance. Those 2013 Bonds are callable January 1, 2024, however we are not obligated to call them on January 1. We can call them anytime. The current plan is to take the proceeds of the new bonds and deposit them into an escrow that will be for the trustee and approximately 90 days later we will use those proceeds to call and fully redeem the current interest bonds of the Series A, B and C of 2013. Waiting 90 days allows us to earn some legal arbitrage on the investment of those monies to be used to reduce the size of the new bond issue.

There is a description of the proposed 2024 Bonds. The purpose of those bonds will be to refund the 2023 bonds and pay the cost of issuance. There is no other use of proceeds of those bonds. The main documents are the first supplemental indenture, the bond purchase agreement, the escrow agreement for holding those funds, the preliminary official statement, and the official statement. There is an amended mortgage that will be needed, and we may have to amend the servicing agreement between PEDFA and CREDC. CREDC was brought in 2013 to help PEDFA oversee and manage the parking system.

There are other documents that will be needed and some related to insurance. We expect to have insurance policies from AGM on Series A and C Bonds and the County guarantee on the Series B Bonds. That insurance will require some amended and restated insurance agreements from those parties.

Then we get into the actual effective provisions of the resolution. There is the actual approval of the forms and documents that were submitted and that includes the first supplemental indenture, which allows us to issue the new bonds under the indenture. There is the escrow agreement. There is a reimbursement agreement with the County for any funds that they advance on their guarantee. There is the bond purchase agreement, the mortgage amendment and there is a continuing agreement, and the actual insurance agreement will be needed to insure the 2024 bonds.

The next section is for the authorization for the issuance of those bonds, and we have a maximum rate 6.5%. We have a maximum amount of premium or discount, in terms of selling price of 98% or 107.5%. Those bonds will have the same maturity as the existing bonds.

Also, authorization of the amended insurance agreements, and the call of the 2013 bonds that are being refunded. There are some general authorizations for miscellaneous and administrative tasks that must be accomplished to issue the bonds and others dealing with the trustee.

Next are the appointments of the financing team, which consists of Dilworth Paxson, bond counsel; Kutak Rock as special tax counsel as they were in 2013; US Bank Trust Company as the trustee and RBC Capital Markets as the lead underwriter and PFM Asset Management will be the verification agent to confirm the money that is being put into escrow will be sufficient on the call date to pay off all the bonds.

The next section is to authorize investments of the escrow funds that will be invested solely on U. S. Government Securities. Section 10 is the approval of the preliminary official statement and the official statement. We continue to work on those to include all the nuances and more of a description about the history of the parking system from 2013 to the present.

The next sections are miscellaneous approvals. That sums up the legal structure of the bond issue and what is needed in terms of documentation. John Gass from Trimont is on the phone if you have any questions on the business side of the transaction."

Mr. Brown asked, "From the new proceeds, how much are we repaying advances to Dauphin County and AGM?"

Mr. Wenger stated, "There are no financial gains to the creditors out of bond proceeds."

Mr. Feller stated, "As the memo that Brian read states, they are coming from the project funds, which are revenues generated from the parking system. We anticipate, because we are saving $10 to $12 million dollars on interest, we will have more funds available to make those repayments in that flow of funds."

Mr. Brown asked, "How much did AGM and the County advance?"

Mr. Wenger stated, "The amount currently is about $3.7 million, and I believe a half a million has been repaid today. Is that correct, John?"

Mr. Gass stated, “Yes, that is correct.”

Mr. Wenger stated, “Approximately $4 million dollars has been advanced.”

Mr. Brown asked, “From both AGM and the County?”

Mr. Wenger stated, “About 50/50. It is $2 million each.”

Mr. Brown asked, “And that gets repaid from project revenues?”

Mr. Wenger stated, “Yes.”

Mr. Brown asked, “Is there an anticipated date when those would be paid back?”

Mr. Wenger stated, “If we can get the refunding at current interest rates, I believe the projection is by 2027 they will be repaid.”

Mr. Haden asked, “Thank you for reminding us how highly complex this was to pull off. It is a unique transaction, because this is the first time where PEDFA did the transaction themselves and there is a provision in the documents where we as members will not be liable for this.

I know there is a savings of around $10 to $12 million dollars. Over what term is that savings and how are we looking at that? Also, there were some capital improvements that had to take place on the first issuance. How much was allocated to capital improvements and how much more needs to be done? How many more spaces are now being occupied post COVID and work adjustments?”

Mr. Wenger stated, “Based on our most recent run we are expecting to realize most, if not all of the savings through the first 10 years of the transaction. We are structuring it that way as opposed to over the life of the loan for two reasons. First, if you recall, the 2013 bond issue was a combination of current interest bonds and zero-coupon bonds. We are not refunding zero coupon bonds. There are some structuring issues where the savings look a little uneven, because there are some bonds we are not touching. Our objective is to provide as much relief as possible to the system through the first 10 years to give it time to recover from the effects of COVID. We would expect most of the savings to be realized through the first 10 years. If we get a further rally in the market perhaps to the first 15 years.”

Mr. Haden stated, “So roughly this $10 to $12 million represents about a million annually in savings over that 10-year term?”

Mr. Wenger stated, “If you we do nothing it continues to increase for the next 10 years at about $700,000 a year. We are trying to take that annual increase out through the first 10 to 12 years to lower the expenses, so the system has more revenue for other things like the payment to the city, capital improvements, etc. We are altering the amortization schedule a bit to try to assist the system."

Mr. Gass stated, "Regarding the capital improvements, when we closed the transaction there was approximately eight million dollars in the capital reserve that we use to pay for scheduled capital improvements over the years. There was an additional million dollars that was deposited in 2019. We have nine million that we can fund both the scheduled and report-oriented capital improvements. We go through and look at the actual needs of the garage and we get a report that spreads projected capital improvements over a five-to-10-year period, so we are not doing all projects in one year. We have been following that process and we had a local engineer working on the garages, along with SP Plus, for the capital improvements for the Parking Authority.

When we hit 2020 and the revenues were decreasing to the point we weren't expecting any additional funds to be deposited into the capital reserve for the next couple of years, we did look at reducing the amount of the report oriented improvements, but we went through a process each year with our local engineer to look at those improvements and see if we could push these on to 2024 and 2025, so that we make sure we are addressing the necessary improvements. At this point we probably have around $800,000 in the capital reserve. We are projecting that we will probably run through that balance by the middle of next year if we don't find a solution for that. I think in looking in terms of solutions this bond refunding is the first step in the process. We are going to have to talk to different parties about lots of different options and look at every option that we can to make sure we pick the best and most available. We are looking to getting the refunding accomplished and then sitting down with parties and talking with parties which is an essential step in trying to resolve the capital reserve funding."

Mr. Haden stated, "On your point of sale for someone coming into the garage, I'm assuming you are using an app, card or prepaying for a period of time. I do recall that pure cash transactions and prior to 2013 were somehow not being recorded or not being accounted for."

Mr. Gass stated, "Yes, I think 95% of both the garage and the meter transactions these days are not cash. We have automated meters and a parking app you can use for the meters on the street and then new entrances and exits at the parking garages to allow people to use credit cards and prepaid vouchers. We are very much not cash at this point."

Ms. Kurtz stated, "I would like to say thank you to all the professionals. I know we have been talking about this for a few minutes, but this has been months and years of discussions with Mr. Drizos and Craig you have carried on, and thank you Mandy and Carol for your diligence and review of this to come up with a solution that we can move forward on."

It was moved by Ms. Kurtz and seconded by Mr. Brown that the Board approve the Capital Region Parking System 2024 Revenue Refunding Bonds. The motion carried.

Ms. Book stated, "Thank you to the team for all their hard work.

NEW BUSINESS

I would also like to applaud the team, I'm not sure everybody heard, but the Bond Buyer did name the PENNDOT Major Bridges deal as a deal of the year in the northeast region. They were honored earlier in December. Congratulations to all that participated on that transaction. It is quite the deal making a splash there."

PUBLIC COMMENT

None.

ADJOURNMENT

It was moved by Mr. Wentzel and seconded by Mr. Haden that the Board adjourn.